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ARGENTINA: DIVISION AND CRISIS

Summary

The euphoria that accompanied Juan Peron's resumption of the Presidency in October 1973 has disappeared amidst a morass of terrorist violence, economic disorder, and leadership paralysis presided over by his widow, Maria Estela Peron.

When Juan Peron died, on July 1, 1974, Argentina entered a transitional period, and the country's key power groups have been unable to adjust to politics in his absence:

- the Peronist Movement is badly splintered;
- labor is undisciplined and dissatisfied with the President;
- military leaders are reluctantly overcoming inhibitions about renewed political intervention; and
- terrorists remain active.

Serious economic problems are complicating President Peron's already precarious political situation. Last year was the worst economic year in recent Argentine history, and scant improvement is in sight for 1976.

Peron cannot resolve the nation's political and economic crises and will not leave office voluntarily. She is likely to become the victim of a coup before the national elections scheduled for late this year. A military takeover is possible at any moment and might result in extended military rule of unprecedented severity.

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US interests in Argentina are limited, and it is unlikely that they will be radically affected by events before the elections.

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Argentina's present political and economic disarray emphasizes the continuing contrast between expectation and reality that has long frustrated Argentines. When Juan Peron returned from exile (1955-72) to resume the Presidency in October 1973, many entertained exaggerated hopes about the country's future. Peron alone was deemed capable of creating a political climate conducive to economic progress. Today, those hopes have vanished amidst the morass of terrorist violence, economic disorder, and leadership paralysis presided over by Peron's widow, Mario Estela Peron.

Two factors stand out in attempts to explain Argentina's plight: the lack of a national consensus, and the impact of Peron's rule from 1946 to 1955.

Lack of Consensus. Argentines do not share a broad consensus on fundamental national values, goals, and procedures (economic and political). The ease with which political parties splinter and proliferate is just one manifestation of a pronounced tendency toward fragmentation that pervades every facet of the society. As a result, political competition tends to be unrestrained, with intolerance of opposition and intransigence in defeat prevailing over cooperation and compromise.

Under these conditions, civilian governments exist tenuously. Politics degenerates easily into patriot-traitor confrontations, and the armed forces emerge as the necessary arbiter.

Impact of Peron's Rule. Peron's 10-year reign prior to 1955 was basically an exercise in authoritarian populism that depended on labor and military support. Essentially a pragmatist, Peron relied for survival upon his extraordinary political skills; the remarkable charismatic appeal of his second wife, Eva Peron; and social and economic policies that promised labor a greater slice of the economic pie.

Peron fundamentally altered Argentine society by legitimizing the economic demands and the political participation of the nation's laboring poor. In so doing, he pitted labor against "the oligarchy" and heightened political and social fragmentation.

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Latin America's politically and economically most powerful labor movement stands as Peron's chief legacy to contemporary Argentina. Organized and pampered by Peron, industrial workers tend to equate national prosperity with the size of their pay envelopes. This attitude, when combined with the unions' political clout, presents enormous problems for a country whose international economic advantage lies in exporting agricultural products rather than in industrial output.

Argentina in Transition

Argentina entered a transitional period following Peron's death on July 1, 1974. Having responded to his cues for nearly three decades, the country's key power groups had to adjust somehow to his absence. Thus far they have not done so successfully, and the result has been a progressive deterioration of the nation's political and social fabric.

The Peronist Movement. Peronist unity was a function of Peron's personal domination of the movement, and a degree of splintering was natural after his death. That the defections have been so numerous and acrimonious is attributable to the ineptitude of Maria Estela Peron and her dependence on an assortment of advisers (Jose Lopez Rega, Julio Gonzalez, et al.) considered politically and personally repugnant by erstwhile government supporters.

Mrs. Peron is now isolated; her political base diminished to a right-wing sector of Peronism; her overwhelming majority in Congress gone; her administration the object of public ridicule. The restoration of even a semblance of harmony and discipline within Peronism prior to this year's elections* is unlikely, particularly as long as Mrs. Peron retains the Presidency.

Labor. Labor is potentially the nation's most powerful civilian political force, but poor leadership and lack of discipline have diminished its influence in recent months. National economic reverses have undermined the ability of union bosses to satisfy rank-and-file wage demands. Consequently, such national union leaders as Lorenzo Miguel and Casildo Herreras exert only tenuous control over the movement. Given this opening, leftists, and in some cases terrorists, have made inroads at the factory level.

* Probably November; exact date not yet set.

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Until recently, Miguel tried to create the image of labor solidly amassed behind the President. However, cabinet shifts in January and February and Peron's attempt at reconciliation with Victorio Calabro, dissident Peronist Governor of Buenos Aires Province, sparked union leaders' suspicions that the President neither seeks nor heeds labor's counsel. Spurned and disenchanting, labor leaders were privately admitting that they would not oppose Peron's ouster.

Military. Chastened and humiliated by seven years (1966-73) of governing unsuccessfully, the armed forces withdrew from the political arena and paved the way for the Peronists' resumption of power in 1973. But the tide has again turned, and most senior officers now expect and would support a coup against Mrs. Peron. Right-wing Air Force elements attempted one last December, and the three service commanders have personally requested the President's resignation.

As a group, the senior officers are able, professional, and basically conservative. While not politically homogeneous, their attitudes toward the Peron government vary only from hostile to very hostile.

There is no question of the armed forces' ability to successfully execute a coup. Their reticence to date can be traced to:

- the apparently illusory hope that Peron's government would fall of its own incompetence and thereby tarnish the myth that Peronism represents the only viable course for Argentine development;
- vivid memories of ineffective military rule before 1973 and recognition that the military is still not privy to sure-fire cures for the nation's problems; and
- awareness that coups are part of Argentina's political problem rather than a solution.

As head of the most important service, Army Commanding General Jorge Videla is in a position to determine if and when a coup will take place. Cautious by nature, Videla is hesitant to lead the armed forces on another political excursion. Subordinates are pressing for action, however, and Videla may soon have to relent or step aside.

Peron implicitly acknowledged her precarious grip on the Presidency when she recently pledged not to run for

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reelection. This maneuver may momentarily slow the momentum of civilian and military opposition, but alone, it will not guarantee her retention of office.

Terrorists. Terrorist violence has reached unparalleled levels during Mrs. Peron's tenure. The Marxist-Trotskyite People's Revolutionary Army (ERP) and the Montoneros from the Peronist left have been devastatingly effective, and their violent tactics have been matched in kind by the security forces and extra-legal right-wing goon squads. The activities of smaller subversive groups as well as the bloodletting that frequently accompanies labor disputes have added to the carnage.

An improving counterterrorist capability in the armed forces and the possibility that the Montoneros will concentrate on legitimate participation in this year's elections offer some hope for a reduction in terrorist activity. The key may be how badly the security forces have damaged the capabilities of the ERP.

Economic Complications. Attempts to resolve the national political crisis will be influenced, perhaps decisively, by Argentina's serious economic problems. Last year was the nation's worst economic year in recent history; an inflation rate of 335 percent provided the keynote for a bleak statistical panorama.

Little relief is in sight during 1976, and Mrs. Peron may have worsened matters by firing her able Economy Minister, Antonio Cafiero, in early February. Internally, the forecasts are not hopeful, and much will depend on whether the administration can maintain a relatively firm policy on wages and avoid caving in to exorbitant union demands. The establishment of realistic exchange rates and an abundant 1975-76 wheat harvest brighten prospects in the external sector.

Peron's Removal Likely

Currently a political stalemate exists; the great majority of Argentines would be relieved at the removal of a president who refuses to budge. In the remaining months before this year's elections, two things seem clear:

- Peron will not resign, nor is she likely to be impeached.
- The nation's political and economic situation, as well as its image abroad, probably will worsen


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because Peron has shown herself incapable of effective leadership.

Faced with these prospects, there is a better than even chance that the military will remove Peron before the elections. Recent evidence indicates that subordinates are placing increasingly intensive pressure for action on their service commanders and that post-coup plans are being fleshed out. The precise timing of a coup is impossible to forecast, but military dissatisfaction is so pervasive and intense that one could occur at any time.

Post-Coup Government. In the event of a coup, the result might be:

- succession to the Presidency by a civilian, probably Senate President Italo Luder, a moderate Peronist;
- military rule of extended duration; or
- a caretaker military regime in office only to oversee the elections.

The specific circumstances surrounding a coup may well determine which of the alternatives may occur:

- A relatively spontaneous, unrehearsed coup provoked by a particularly egregious action by Mrs. Peron would probably involve a comparatively low level of planning and coordination; these conditions would favor succession by either a civilian or a caretaker military regime.
- Conversely, a more carefully orchestrated coup accompanied by extensive prior consultation and coordination would substantially increase the chances for extended military rule thereafter.

The emergence of a caretaker military regime is the least likely alternative.

Harsh Military Rule? The record of military governments suggests that armed forces leaders will not have the stomach to enforce harsh, repressive measures; but past performance may no longer be the best criterion for predicting future events.

If the armed forces assume control for an extended period, Argentines may be subjected to rule of unprecedented severity.

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As moderate conservatives, military leaders probably would opt for a rigid economic austerity program that would require considerable repression to implement. Labor unions would be likely to resist with all the potent means at their disposal, and terrorists would attempt to exploit popular unrest by intensifying their campaign of violent disruption.

Conservative officers assuming power would do so fully aware of the complexity of the problems and the opposition that their preferred solutions would likely encounter. They may well be prepared, therefore, to undertake any measures they deem necessary to ensure their policies a chance for success.

Impact on US Interests

Immediate US interests in Argentina consist of:

- ensuring proper treatment for the \$1.2 billion of direct US investment (December 1974 book value); and
- cultivating harmonious relations with a country capable of exerting a moderate--though mainly regional--influence in discussion of DC-LDC, North-South issues.

Over the medium and long term, US interests may be affected by Argentina's potential emergency as a nuclear proliferator and a major contributor to solving the global food problem.

Currently, US-Argentine relations are on an even keel, threatened only by a series of much negotiated but still pending investment disputes. Internal disarray rather than policy considerations is undermining the settlement process, but as a result Argentina could be excluded from GSP benefits under the US Trade Act. Should this happen, it will not only sour our bilateral relations but will also provide ammunition for other Latin nations that have been outspoken opponents of the Trade Act.

Little Change Expected. During the months before the elections, there is little chance that US interests will be radically affected by events in Argentina.

The emergency of a more radical government would present obvious problems for the US. However, this is unlikely to happen:

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--Radical leftists are neither numerous enough to win a legitimate election nor powerful enough to capture the government by force.

--Military support for fundamental social and economic reforms along the lines of so-called "Peruvian" development model appears confined to junior officer ranks.

Of the possible alternatives before the elections--Peron's government, that of a civilian successor, a long-term military regime--none is likely to assume a rabidly anti-US stance, particularly at a time when Argentina may find it necessary to approach the US for aid to alleviate its economic difficulties. Continuing economic disorder and labor agitation may present problems for US firms, and the security risk for US personnel will remain high, but government policies and practices overtly and specifically hostile to US interests are unlikely.

Any military coup would probably elicit charges of some type of US involvement. A harshly repressive military regime might present problems in the human rights area, with the consequent need to reconsider US aid programs. Although US economic and military aid is quantitatively insignificant,* the symbolic significance of its termination could become an irritant in bilateral dealings.

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* Economic aid consists of a longstanding housing guarantee program; military aid is limited to grant assistance for training amounting to about \$800,000 for fiscal 1975-76.

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